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8 November 1956

MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Acting Chairman, EDIC

SUBJECT : Czech Inability to Provide Catalytic Cracking Equipment for Syrian Refinery.

The attached document, which has been prepared by CIA, is circulated for the information of EDIC members.

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[redacted]

Acting Chairman

Attachment:
Czech Inability to Provide Catalytic Cracking Equipment for Syrian Refinery.

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CZECH INABILITY TO PROVIDE CATALYTIC CRACKING EQUIPMENT FOR SYRIAN REFINERY

Summary

For the past year, the Syrian government has been negotiating for the purchase of a petroleum refinery, examining bids from construction firms in the US, UK, West German, Italy, Yugoslavia and Czechoslovakia. On 1 October 1956, the Syrian Government withheld approval of the Czech's low bid because of reported Czech inability to provide a catalytic cracking unit.

History of Negotiations

Since December 1955, the Syrian Ministry of Public Works has conducted technical investigations and examined bids for the construction of a petroleum refinery at Homs, forty miles from the Syrian coast along the Iraq Petroleum Company pipeline. The leading Free World bidders have been PROCON, Ltd., a British firm with US and Canadian subsidiaries; HYDROCARBON of Dusseldorf, and subsidiary of HYDROCARBON, New York; and an Italian consortium. TECHNOEXPORT of the USSR participated initially but withdrew early in 1956, leaving TECHNOEXPORT of Czechoslovakia as the sole Bloc contender. By 1 October 1956, the Czech bid had been reduced to a figure approximately $2.75 million (6 million Syrian pounds) below the next lowest offer. At this point, an Egyptian technical expert

employed by Syria informed the Syrian Cabinet that the Bloc had not yet produced a catalytic cracking unit, although there were plans for such a unit to be installed in a Bloc refinery then under construction. This statement resulted in Syrian unwillingness to accept the Czech bid, on grounds of technical inferiority.

The Syrian government next attempted to make an arrangement whereby TECHNOEXPORT of Czechoslovakia would receive the construction contract excluding the catalytic cracking unit, which would be supplied by the Italian or the West German bidders. By 10 October the Italians and the West Germans refused to supply this element separately and indicated their unwillingness to cooperate with the Czechs. A Soviet offer to provide "high octane equipment" has not been accepted, probably for political reasons though ostensibly on the ground that the Soviets have such equipment in the form of blueprints only. The Syrian government is apparently now faced with the alternatives of granting the contract to the Italians or the West Germans, or accepting the technically inferior Czech offer.

Catalytic Cracking

The catalytic cracking process was largely developed by US refiners, who continue to control most of the patents. By using catalysts, this process makes it possible to convert lighter grades of petroleum into high-octane gasoline. It is also used to increase the octane rating of heavy naphthas and to reduce the viscosity of lubricating oils. The same result can be achieved by the older and more widely used process of thermal cracking, but not without great loss of efficiency.

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Comment

Czech inability to export a catalytic cracking unit is partly due to Bloc emphasis on lower octane fuels, which can be satisfactorily obtained by thermal cracking. Czechoslovakia is not believed to have any such equipment in use, though the United States supplied a unit to the USSR under the Lend-Lease Program during World War II. In addition, catalytic cracking equipment is subject to COCOM embargo (IL-1153).